

Top Secret 184

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NATIONAL INTELLIGENCE DAILY CABLE

Monday May 17, 1976

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Monday May 17, 1976.

[REDACTED] The NID Cable is for the purpose of informing senior US officials.

CHINA

[REDACTED] An article commemorating the tenth anniversary of the opening of the Cultural Revolution, published jointly yesterday by China's three leading journals, sets forth clearly the concerns of leading leftists within the regime but stops well short of a call to action against more conservative elements associated with former vice premier Teng Hsiao-ping.

[REDACTED] The most authoritative pronouncement on the current campaign against Teng in a month, the article provides an elaborate defense of the necessity for the Cultural Revolution itself. This issue remains a bone of contention between the leftists, who made their mark during the "revolution," and the moderates, many of whom were its victims.

[REDACTED] The article links Teng's actions in the early stages of the Cultural Revolution with what it claims were similar actions on his part in late 1975 and early 1976. Specifically, it accuses Teng of "mustering unrepentant capitalist-roaders and putting them in positions of power."

[REDACTED] This is the clearest and most authoritative indication that the leftists hope to broaden the campaign, to purge party officials who were "rehabilitated" and given important posts in the past several years.

[REDACTED] The article, however, also states that the so-called capitalist-roaders "hold a very large proportion of the party and state power." This admission not only indicates that leading regime organs--the Politburo, central committee and state council and perhaps the military as well--are split, but also strongly suggests that the leftists are in a minority.

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[] Given the conservatives' considerable power, the article says, they "could...recruit deserters and renegades, form cliques...formulate a revisionist line and push it from top to bottom. They could...protect their own interests, namely, the interests of 'high officials.'"

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[] This list of horrors clearly describes the leftists' fears, but the fact that these and other actions open to the conservatives are put in the conditional indicates that the left is at present in no position to press such charges against their opponents. Indeed, the operative paragraphs of the editorial merely call for continuing criticism of Teng alone. The leftists seem to be making the strongest possible case for their viewpoint in the hopes of winning over fence-sitting or "neutral" figures in the party and the military.

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[] //The split at the upper levels of the regime appears to be causing increasing problems in the provinces

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[]
approaching that observed during the anti-Confucius campaign of 1974, but it does not begin to approximate that of the Cultural Revolution itself. The central authorities continue to inveigh against the formation of "fighting groups" and against mass movements of activists from place to place--two hallmarks of the 1966-68 "revolution."//

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SYRIA

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[] Syria is suddenly facing a severe financial setback. A temporary suspension of subsidy payments by Saudi Arabia, Kuwait, and other Arab donors, the recent cut-off of oil pipeline transit payments by Iraq, and increasing costs of Syrian involvement in Lebanon have contributed to the present squeeze.

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[] Syria had planned an ambitious domestic spending program in 1976--\$4.1 billion, compared with \$2.8 billion in 1975--but Damascus can no longer afford the imports needed to support even last year's spending level. The government has announced that the budget will be slashed to \$2.1 billion, although this may be a ploy to attract aid from the Saudis.

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[] Damascus can temporarily avoid slashing imports by drawing on its substantial foreign reserves. Reserves now equal about two-thirds of a year's imports.

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[] Syria received some \$700 million in Arab grants last year, enabling it to increase imports by 30 percent and expand its foreign exchange reserves by over \$300 million. Saudi Arabia alone provided over \$500 million in cash.

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[] Aid receipts from Arab oil states so far this year have totaled only \$25 million. The deficit has been aggravated by the loss of \$150 million a year in Iraqi transit payments which were suspended in December 1975.

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[] Iraq has also discontinued its sale of light crude to the Syrians at concessionary prices, forcing the Asad government to search for alternative sources. Saudi Arabia will supply Syria with crude oil only at world market prices. Syrian operations in Lebanon cost an estimated \$750,000 per day.

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[] The Saudis apparently are withholding their aid to try to force Damascus to patch up its bitter quarrel with Cairo. The Syrian and Egyptian prime ministers are tentatively scheduled to meet next week in Riyadh and a reconciliation probably would lead to a resumption of Arab aid. []

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USSR

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[] The annual growth rate in Soviet industrial production will be the lowest for the postwar period if it continues at its first-quarter rate--4 percent compared with 6.5 percent for the same period last year.

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[] This somber picture is reflected in the unusually terse first-quarter report published in the press. The figure for production of household goods was notably absent. The brevity of the report and the cursory mention of productivity increases and quality improvements--both hallmarks of the present five-year plan--were especially conspicuous for a first-quarter report on a new plan.

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[] The consumer is bearing the brunt of industry's mediocre performance. Production of processed food--down nearly 7 percent from the first three months of 1975--suffered from last year's shortages in agriculture, the effects of which are now being felt in the industrial sector. Particularly large declines were registered in vegetable oil, meat, and canned goods production. A good harvest this fall could brighten the agricultural picture somewhat by the end of the year, but it would take more than three months to affect industrial production.

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[] Soft goods production grew only slightly this year, while several products--some fabrics, underwear, and outer garments--fell below planned production.

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[] The growth of machinery production--usually a strength in Soviet industrial performance--dropped sharply compared with a similar period last year. A critical shortcoming was the failure to achieve first-quarter targets for freightcar production. A recent Pravda editorial blamed the railroad industry for impeding first-quarter production by failing to deliver required coal, wood, ores, and industrial parts. Instruments and computers, equipment for light industry, and motor vehicles also registered significant declines in growth.

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[] Part of the slowdown in machinery production probably can be attributed to failures to meet production targets for some crucial finished steel items. A shortage of hard currency may have forced the Soviets to cancel and defer certain steel imports.

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[] The materials sector also performed sluggishly. The situation would have been even more dismal without slight increases in the growth of electricity, oil, and gas. Output of crude steel advanced reasonably well but the failure to achieve the goal for pig iron production could cause some dislocations for individual steel mills as the year progresses.

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[] The decline in growth of chemical production--traditionally a pace setter--was surprising. The strain of trying to meet 1975 production targets may have drawn down inventories in the chemical industry and increased the time needed for repairs, producing an adverse effect on production overall.

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[] The poor year for industry is no surprise to the Soviet leadership. When the total 1976 production target was established last December, the planned growth rate was the slowest since World War II. What probably distresses the leaders is the number of individual products that did not even meet the reduced goals. The outlook for industry for 1977 would brighten considerably if the 1976 harvest is a good one. If the economic recovery of the West causes a rapid increase in Soviet hard-currency earnings, the problems of industry would lessen. []

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LEBANON

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[] The latest cease-fire failed to take hold in Beirut over the weekend, but Tripoli--the scene of heavy fighting last week between Syrian forces and pro-Iraqi elements--was quiet.

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[] Damascus has withdrawn some of its regular forces and Saiqa units from Tripoli, partly in response to a demarche from Lebanese Muslim leaders. Syrian-controlled Palestine Liberation Army units have reportedly also moved out of the city, ostensibly to comply with a withdrawal order from Palestine Liberation Organization chairman Yasir Arafat.

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[redacted] Sarkis, who has been consulting with various Lebanese political factions is scheduled to meet with President Franjiyah today. Sarkis is still seeking a reconciliation with leftist leader Kamal Jumblatt. Jumblatt met a Sarkis representative over the weekend [redacted]

[redacted] In Syria, tensions between authorities and local Palestinian communities have increased as a result of the growing number of casualties Syria's Palestinian forces have sustained in recent fighting. [redacted]

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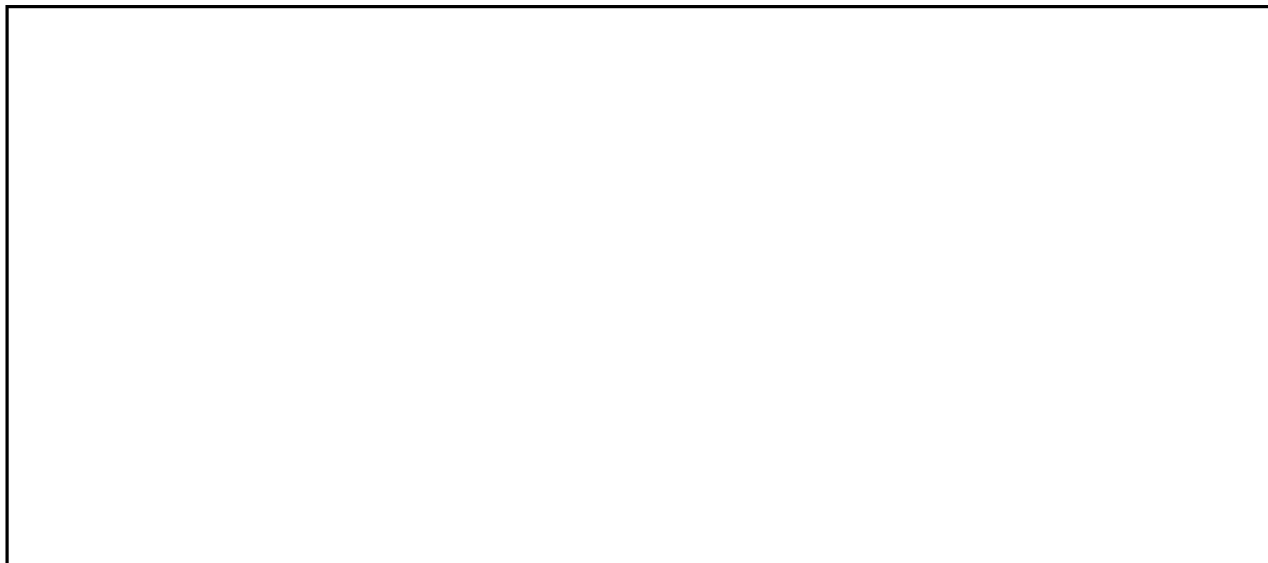
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BOLIVIA

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[REDACTED] The assassination last week in Paris of General Joaquin Zenteno, Bolivian ambassador to France, bears a marked similarity to the murder of Colonel Ramon Trabal, the Uruguayan military attache who was shot in his Paris apartment in December 1974.

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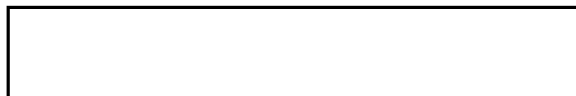
[REDACTED] Both men had prominent roles in eradicating leftist subversive groups in their own countries before being posted to Paris. Trabal served as chief of military security in Uruguay and had a primary responsibility for planning and directing the campaign against the Tupamaros. He reportedly was given a diplomatic assignment at the request of army superiors who resented his ambition and ability.

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[REDACTED] Zenteno achieved international prominence in 1967 for tracking down and capturing Che Guevara; he later became commander in chief of the armed forces--the second most powerful position in Bolivia. He went into "golden exile" in 1973 following a serious disagreement with President Banzer over administrative and political matters.

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[REDACTED] In each case previously unknown terrorist groups claimed responsibility for the murder. A group calling itself



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the Raul Sendic International Brigade (named for the founder of the Tupamaros) took credit for Trabal's "execution," and the "Che Guevara International Brigade" claims it eliminated Zenteno.

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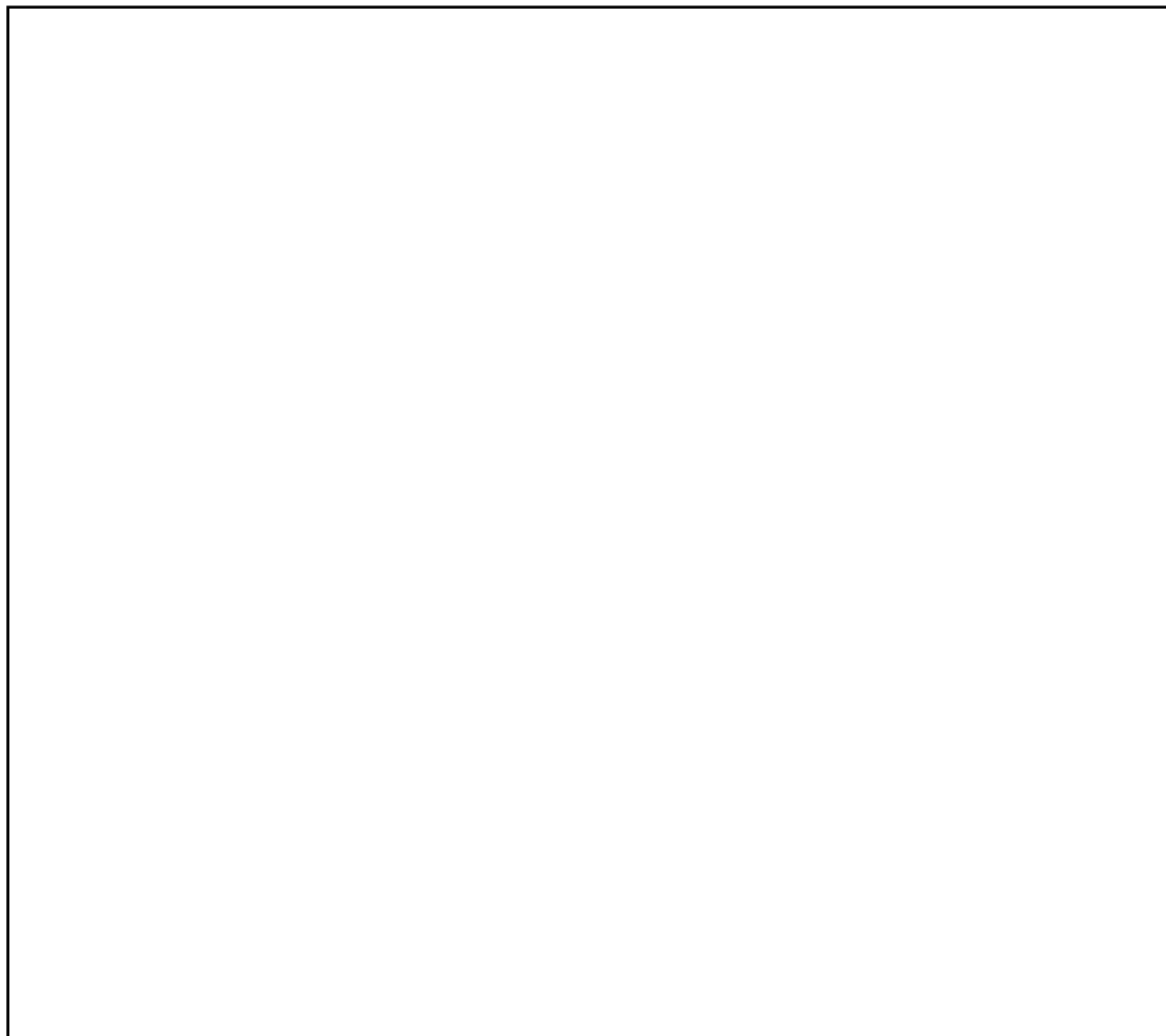
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[REDACTED] //In the past, Latin American terrorists generally confined their operations to their own countries, but many observers predict that operations now will be modeled on the activities of Middle East terrorist groups and will occur anywhere.// [REDACTED]

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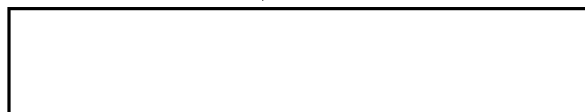
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PERU

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[redacted] //President Morales Bermudez' six-week campaign to shift his government to a more centrist position appears to be meeting with some success. Not only has he undercut conservative military officers [redacted] but he appears to have gained support among conservative civilians.//

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[REDACTED] In recent major policy speeches, the President has shown his intention to reduce leftist influence by declaring that the government would curb disruptive strikes instigated by leftist unions and that the controversial Tupac Amaru Plan, a radical document intended to guide the "second stage of the revolution," would be redrafted. Morales Bermudez has also given encouragement to the conservative business and public sector. He has announced an amnesty for political exiles of both the left and right, and said that political prisoners would be released. In recent days, 35 persons have received amnesty or pardon.

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[REDACTED] The President is moving to achieve the more open political dialogue that he promised some months ago. In a speech on April 30, he intimated that a reconciliation with the American Popular Revolutionary Alliance was in the offing.

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[REDACTED] The Alliance is the largest opposition party and a long-time virulent opponent of the army. Its leader, Victor Raul Haya de la Torre, was obviously pleased with the President's gesture. He called on his followers to cooperate with the government in overcoming Peru's protracted economic crisis. In return, Haya demanded that the government restore democratic forms, at least to the extent of holding municipal elections.

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[REDACTED] The Peruvian left, which has strengthened its influence in the country since the military took power in 1968, has yet to be heard from. Leftist officers have the most to lose from a turn to centrist policies and may themselves begin plotting against the President. The Communist Party and other leftist groups are reported to be unhappy with Morales Bermudez' actions, especially with the apparent "opening to the Alliance" and the encouragement offered to private enterprise.

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[REDACTED] There are other problems ahead for Morales Bermudez. Economic difficulties and the solutions proposed by the President will cause severe dissension among the opposing sectors and Morales Bermudez' abilities will be severely tested in the coming weeks. [REDACTED]

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ETHIOPIA

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[REDACTED] A radio and television address yesterday by General Teferi Banti, chairman of Ethiopia's ruling military council, on the Eritrean problem was mainly a reiteration of past government policy that so far has failed to get the secessionist guerrillas to begin negotiations.

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[REDACTED] Teferi said the government's program of granting regional autonomy throughout the country provided a basis for a political settlement of the Eritrean conflict. Government leaders have made no attempt to begin negotiations since the program was announced in April.

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[REDACTED] Teferi also offered the guerrillas amnesty and said the government would allow Eritrean political exiles to return home. The guerrillas will probably consider these to be "minor" concessions.

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[REDACTED] The ruling council probably realizes that Teferi's statement has little hope of appeasing the guerrillas. The military rulers are apparently trying to give the impression they have made an attempt to find a peaceful settlement before they begin a new offensive in the province. Preparations to send a large number of armed peasants to lead the offensive reportedly are underway. [REDACTED]

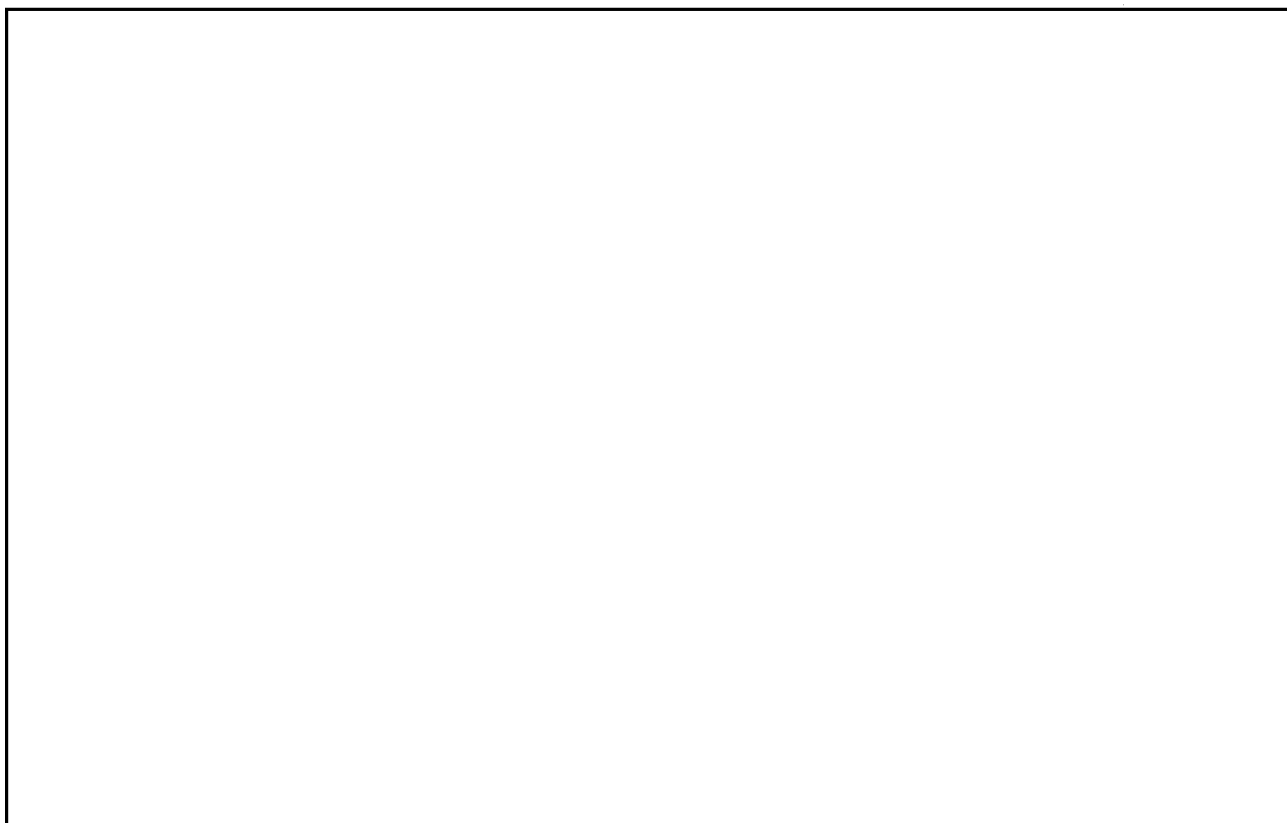
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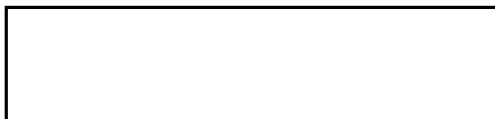
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[redacted] Italy's non-Communist parties have reacted either negatively or ambivalently to Communist chief Berlinguer's speech last week, in which he called for the creation, after the election next month, of an emergency government consisting of all parties except the neo-fascist.

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[redacted] Berlinguer's speech was intended to make it more difficult for the Christian Democrats to focus campaign debate on the dangers of Communist entry into the government. Berlinguer evidently believes that the emergency formula, which could embrace as many as seven ideologically diverse parties, will be harder to attack than the Communist - Christian Democratic alliance Berlinguer has been calling for since late 1973--the "historic compromise."

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[] There is a precedent, moreover, for the type of government Berlinguer has now proposed. The Communists participated in a series of broadly based coalitions prior to their expulsion from the government in 1947.

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[] Berlinguer explained that his proposal is not inconsistent with the "historic compromise"--which remains the party's long-term strategy. He characterized his emergency formula as a temporary alliance to deal with immediate problems, but said that it should last "at least a few years."

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[] The Christian Democrats were quick to reject Berlinguer's formula. Over the weekend, the party daily carried an editorial approved by Christian Democratic leader Zaccagnini characterizing the Communist proposal as a disguised version of the "historic compromise." The Social Democrats and Liberals also rejected the idea.

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[] The Republican Party, which has held key economic portfolios in recent governments, left its options open. It placed only two conditions on a post-election government: that it not endanger Italy's security ties with the West and that it adopt an incomes policy applied equally to all categories of workers.

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[] The Socialists were obviously thrown off balance by Berlinguer's move and have yet to formally take a position. They hope for election gains that will reinforce their pivotal position between the Communists and Christian Democrats and are trying to avoid committing the party in advance to any specific government formula.

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[] The Socialists cannot reject Berlinguer's idea outright because they have been calling for some arrangement that would give the Communists a formal role in national policymaking. It was clear in the Socialists' initial comments that they would rather form a Socialist - Christian Democratic government committed to consult with the Communists than give cabinet posts to Berlinguer's party. []

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